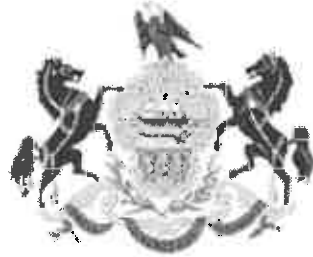


Commonwealth of Pennsylvania



**Annual Audit
and
Financial Report**

TOWNSHIP of LIBERTY, ADAMS County

**for the year
2002**



Who is to file

Cities - Director of Accounts and Finance

Boroughs - Elected Auditors, Independent Auditor, or Controller

First Class Townships - Elected Auditors, Independent Auditor, or Controller

Second Class Townships - Elected Auditors, Independent Auditor

Home Rule Communities - In accordance with charter

Where to file

Cities:

DCED
City Council

Deadline

March 1
Stated Meeting
during March

Boroughs and Townships:

DCED
Clerk of Courts or Prothonotary
Municipal Secretary

April 1

April 1

April 1

Home Rule Communities:

DCED
Other entities - In accordance with charter

April 1

**Department of Community and Economic Development
Governor's Center for Local Government Services
Commonwealth Keystone Building
400 North Street, 4th Floor
Harrisburg, PA 17120-0225
1-888-223-6837
717-787-8169**

Beginning Balance *(for informational purposes only)*

The January 1st, 2002 beginning balance for the TOWNSHIP of LIBERTY is: \$ 210,836

Balance Sheet December 31st, 2002

Assets and Other Debits	Governmental Funds				Proprietary Funds			Fiduciary Funds		Account Groups		Total
	General Fund	Special Revenue (excluding State Lottery Profits)	Capital Projects	Debt Service	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	Gen Long Term Debt	Memorandum Only		
100-120 Cash and Investments	\$ 34,439	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
140-144 Tax Receivable	\$ -	6,247	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 42,686	
121-147 Accounts Receivable (excluding taxes)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
148-159 Other Current Assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
160-169 Fixed Assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
180-199 Other Debits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Total Assets and Other Debits	\$ 34,439	\$ 6,247	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 42,686	

Total Assets \$ 42,686

Liabilities and Other Credits	Total Liabilities
710-229 Payroll Taxes & Other Payroll Withholdings	\$ -
200-269 All other Current Liabilities	\$ -
260-269 Long-Term Liabilities	\$ -
Other Credits	\$ -
Total Liabilities and Other Credits	\$ -

Fund and Account Group Equity	Total Liabilities and Fund and Account Group Equity
281-284 Contributed Capital	\$ -
-290 Investments in General Fixed Assets	\$ -
271-289 Fund Balance/Retained Earnings 12/31	\$ 34,439
Total Fund and Account Group Equity	\$ 34,439
	\$ 42,686

Total Liabilities and Fund and Account Group Equity \$ 42,686

Debt Statement

↓ List Each Issue or Loan ↓	Year of Issue	Original Amount Of Issue	Outstanding January 1 st or Issued During Year	Principal Paid During Year	Principal Outstanding December 31 st
General Obligation Bonds and Notes					
					\$ -
					\$ -
					\$ -
					\$ -
					\$ -
					\$ -
					\$ -
					\$ -
					\$ -
					\$ -
Revenue Bonds and Notes					
					\$ -
					\$ -
					\$ -
					\$ -
Lease Rental Debt					
2003 Ford Police Car	2002	\$ 24,451	\$ 24,451	\$ 8,665	\$ 15,786
					\$ -
					\$ -
					\$ -
Tax and Revenue Anticipation Notes					
					\$ -
					\$ -
					\$ -
					\$ -
Other					
					\$ -
					\$ -
					\$ -
					\$ -
Total Debt and Revenue Anticipation Notes					\$ 15,786

Statement of Capital Expenditures

Category	Capital Purchases	Capital Construction	Total
Electric			\$ -
Fire			\$ -
Gas System			\$ -
General Government			\$ -
Health			\$ -
Housing			\$ -
Libraries			\$ -
Mass Transit			\$ -
Parks			\$ -
Police	\$ 24,451		\$ 24,451
Sewer			\$ -
Solid Waste			\$ -
Streets/Highways	\$ 7,776	\$ 101,989	\$ 109,765
Water			\$ -
Other <i>(Please specify)</i>	\$ -	\$ 4,969	\$ 4,969
Salt Shed		\$ 4,969	\$ 4,969
			\$ -
			\$ -
			\$ -
			\$ -
			\$ -
			\$ -
			\$ -
			\$ -
			\$ -
			\$ -
			\$ -

Total Capital Expenditures	\$ 139,185
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Tax Rates, Census and Other Information

Assessed Value of Real Estate as of December 31st

\$ 24,983,528

Tax Rate:

General Purposes	1.20000	Mills
Debt Purposes	-	Mills
All Other Purposes	-	Mills
 Total	 1.20000	 Mills

Employee Compensation

Total salaries, wages, commissions, etc. paid this year
(including all employees and elected officials)

\$ 112,784

*** USE INCOME FROM W-3 STATEMENT**

Elected Controller's/Auditor's Certified Opinion

Governing Body of the County
President Judge of the Court of Common Pleas
Secretary of the Department of Community and Economic Development

~~We~~ / We, * the undersigned, the duly elected (or appointed replacement), qualified, and acting ~~controller~~ / auditors* of the TOWNSHIP of LIBERTY have audited, adjusted, and settled the various funds and account groups of the TOWNSHIP of LIBERTY for the year ended December 31, 2002. ~~Our~~ / Our* audit, adjustment, and settlement was made in accordance with law rather than with generally accepted auditing standards.

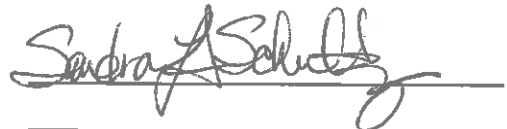
(PLEASE CROSS OUT ONLY IF ON MODIFIED ACCRUAL/ACCRUAL BASIS)

This municipality's policy is to prepare its financial statements on the basis of cash receipts and disbursements; consequently, certain revenues and the related assets are recognized when received rather than when earned, and certain expenditures or expenses are recognized when paid rather than when a liability is incurred. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations of this municipality in conformity with generally accepted accounting principles.

These financial statements do not include all of the disclosures required by generally accepted accounting principles.

In ~~my~~ / our* opinion, the aforementioned financial statements present the financial position of the various funds and account groups of the TOWNSHIP of LIBERTY at December 31, 2002, and the results of operations of such funds for the year then ended in accordance with the law.

Signed:

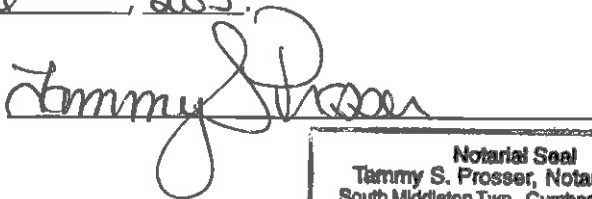


~~Controller~~ / Auditor*

Subscribed and sworn to before

Me this 1st day of April, 2003.

Signed:



(SEAL)



Independent PA's and CPA's may submit their own opinion in lieu of this page.

***Cross out One**

MUNICIPAL FILING INFORMATION

Any local government which files its financial information with the Department of Community and Economic Development, as required by section 1003 of the Act of June 24, 1931 (P.L. 1206, No. 331), reenacted and amended on May 27, 1949 (P.L. 1955, No. 569), as amended; section 904 of the Act of May 1, 1933 (P.L. 103, No. 69), reenacted and amended on November 9, 1995 (P.L. 350, No. 60), as amended; section 1812 of the Act of June 23, 1931 (P.L. 932, No. 317), reenacted and amended on June 28, 1951 (P.L. 662, No. 164), as amended; section 1041 of the Act of February 1, 1966 (1965 P.L. 1656, No. 581), as amended; or other applicable statute, in an electronic format shall be deemed by the Department of Community and Economic Development to have complied with any requirements that such information be signed and verified by oath.

REAL_EST1	1.2	
EARNED_I	0.5	
OCCUPAT	0	
REALTY_T	0.5	
OCCUPAT	0	
PER_CAPI	5	
RESIDENC	0	
MERC_BP	0	
AMUSEME	10	
MECHANIK	0	
OTHER1_DESC		0
OTHER2_DESC		0
OTHER3_DESC		0
OTHER4_DESC		0
OTHER5_DESC		0
OTHER6_DESC		0

AUDIT REPORT 2002
LIBERTY TOWNSHIP, ADAMS COUNTY, PA

	<u>GENERAL FUND</u>	<u>LIQUID FUELS</u>
Beginning Balance 1/1/02	\$179,243	\$20,644
 <u>REVENUES</u>		
Taxes	155,451	0
Licenses and Permits	4,332	0
Fines and Forfeits	13,116	0
Interest	3,953	685
State Revenue	16,771	41,156
Charges for Services	9,159	0
Miscellaneous	82	0
<u>TOTAL</u>	<u>202,864</u>	<u>41,841</u>
 <u>EXPENDITURES</u>		
General Government	53,706	0
Public Safety	112,043	0
Health and Human Services	401	0
Public Works		
-Highways and Streets	153,037	54,238
Culture and Recreation	10,640	0
Total Miscellaneous	17,841	0
<u>TOTAL</u>	<u>347,668</u>	<u>54,238</u>
 <u>BALANCE 12/31/01</u>	 <u>\$34,439</u>	 <u>\$8,247</u>

Auditors: Sandra Schultz, Nanette Hatzes, and Linda Sites



Board of Supervisors
Liberty Township
39 Topper Rd.
Fairfield, PA 17320

February 3, 2003

Supervisors;

Upon auditing the financial records of Liberty Township we, the Board of Auditors, have a few issues we would like the Supervisors and/or Secretary/Treasurer to address:

The bookkeeping process was found to be accurate with no material misstatements. The introduction of QuickBooks was an excellent choice. This software provides integrity to the numbers and provides superior reporting capability. We recommend the continued use of this product and would like to see the Township move to pre-numbered laser checks to eliminate the double bookkeeping process that occurs with this system while maintaining a manual checkbook. We also request that the PLGIT accounts be added to this system.

We feel that the township would benefit from improved internal controls. Currently, there are no written policies or procedures. This leaves the Township vulnerable to embezzlement and theft. Therefore, we recommend that the Township Supervisors make this a priority and develop a comprehensive internal controls policy and procedure that will cover operations of the Township. We suggest the Roadmaster's timesheet be signed by a Supervisor other than himself to provide greater internal control. Through the information gathering process, it appears that the Roadmaster is the only job that submits a timesheet with no supervisory approval.

Purchases other than usual and customary should be discussed at the Supervisors meeting prior to purchase and recorded with a vote in the minutes of the meeting. The practice of approving invoices after they have been paid is problematic. If the Board disagrees with expenditures, short of returning the item(s) if possible, the public is then void of the funds. There needs to be some thought and planning in the spending process to allow for accurate budgeting and cash flow management.

The addition of the Township building did not follow Second Class Township Code 3102, 3104, 3105, 3107, and 3108. No documentation other than invoices was available for inspection.

The Board of Auditors thanks the Board of Supervisors for taking the time and effort necessary for these issues to be resolved. We look forward to working on future audits in conjunction with the Board of Supervisors and the Secretary/Treasurer for the betterment of the Township.

Sincerely,
Board of Auditors
Sandra L. J. Schultz, Chair
Nanette Hatzes, Secretary

2002 Management Letter
Liberty Township
Adams County, PA



We did have questions about a number of items, which are delineated below:

- A Jackhammer was purchased for a total of \$7,776.26. This is above the above the limit according to township code 3102 and should have been put out for a phone bid, at the very least. According to township code, there should be at least qualified and responsible contractors who respond to a phone bid. No record of phone bids was recorded in the minutes or anywhere else.
- The same applies to the construction of the salt shed. Cost of the salt shed was \$4,969. This is over the \$4,000 limit established in the Township Code mentioned above. This also should have been put out to a phone bid process, at minimum, which was told to a supervisor in the presence of the Secretary/Treasurer, by the contact from the state that came to review the project.
- Another issue involved the processing of payroll in QuickBooks. In 2002 the net payroll was recorded as an expense and the difference between the gross and net payroll was recorded as a liability. We suggest that a procedure be established that records payroll expense at the correct amount and withholdings be shown as a liability until the withholdings are remitted to the proper taxing authorities. This processing issue did not affect anybody's actual pay; it is a record keeping issue only.
- A W-3 was not produced.
- Another procedural violation involved the township contracting services from Charlie Alexander for installation and purchase of a water softener, which cost \$1,870.44. This is a violation of township code 3102, which limits the amount of compensation that can be paid to a supervisor themselves for work other than supervisory duties.

We would like to commend the township supervisors and solicitor for leasing the 2003 Crown Victoria police vehicle instead of paying in full. This was a wise management of township funds.

Respectfully Submitted,

Sandie Schultz, Chairperson
Nanette Hatzes, Secretary